CAR BUYER Financing JOURNEY

APRIL 2022
Study background and methodology

Background:

Cox Automotive has been researching the car buyer journey for 12 years, and now, for the first time, diving deep into the financing aspect of the process.

Methodology:

We surveyed 3,050 consumers who financed the purchase or lease of their vehicle in the past 12 months. 2,116 New vehicle buyers and 934 Used vehicle buyers. To qualify, they must be 18+ years old and have used the internet during their shopping process. Survey was conducted October 7 – November 16, 2021.

Research Objectives:

- Understand the consumer financing journey including steps taken, resources used, satisfaction, etc.
- Identify lenders considered and used, and the lender selection process.
- Determine what steps consumers take online versus in person, and comfort level/concerns with financing online.
Over a third of time spent in the shopping process is dedicated to financing activities.

Total Time Spent (hr:min)

12:19 Total

10:57 New Buyer (A)

12:52 Used Buyer (B)

% of Time Spent on Financing Activities

18% Research Options

12% Secure Loan

6% Sign Contract

No differences between new & used buyers

Base: Buyers who financed (excludes cash buyers)
Letters indicate significant difference between groups at the 95% confidence interval

Source: Cox Automotive Car Buying Journey & Car Buyer Financing Journey - 2021
Nearly all buyers made time to explore their financing options.

**% researched financing prior to purchase**
- 87%
- 86% (New buyer A)
- 88% (Used buyer B)

**% considered 2+ lenders***
- 70%
- 64% (New buyer A)
- 71% (Used buyer B)

*Among purchasers (excludes lessees)
Base: Buyers who financed (excludes cash buyers)
Letters indicate significant difference between groups at the 95% confidence interval

Source: Cox Automotive Car Buyer Financing Journey - 2021
Estimating monthly payments and comparing interest rates were key to the research process.

### Most Helpful Info When Researching Financing

<table>
<thead>
<tr>
<th>#1 Monthly Payment</th>
<th>86%</th>
<th>Calculated monthly payments*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>New (87%) vs. Used (85%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>#2 Interest Rates</th>
<th>76%</th>
<th>Compared interest rates*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>New (77%) vs. Used (76%)</td>
</tr>
</tbody>
</table>

*Among purchasers (excludes lessees)  
Base: Buyers who financed (excludes cash buyers)

Source: Cox Automotive Car Buying Journey & Car Buyer Financing Journey - 2021
Many have an established relationship with the lender they considered first.

Level of Association with Lender Considered First

Among Purchasers*

- **High (3/3)**
  - New (27%)\(^a\)
  - Used (19%)
  - 21%

- **Medium (2/3)**
  - New (22%)
  - Used (23%)
  - 23%

- **Low (1/3)**
  - New (29%)
  - Used (27%)
  - 28%

- **No Relationship**
  - New (21%)
  - Used (31%)\(^a\)
  - 29%

---

57%
Currently have a **checking/savings account** with the lender

New (65%)\(^a\) vs. Used (55%)

48%
Have used the lender for **automotive loans** in the past

New (60%)\(^a\) vs. Used (45%)

39%
Have used the lender for **non-automotive loans** in the past

New (50%)\(^a\) vs. Used (37%)

---

*excludes lessees
Base: Buyers who financed (excludes cash buyers)
Letters indicate significant difference between groups at the 95% confidence interval: New (A), Used (B)
High: Has all 3 (checking/savings account, automotive loan, and non-automotive loan) with the lender.
Medium: Has 2 out of 3 with the lender.
Low: Has 1 out of 3 with the lender.
No Relationship: Has 0 out of 3 with the lender.
Buyers who complete key financing steps online save precious time at the dealership

Average Time Saved at Dealership

30 MIN
Applied for financing online

38 MIN
Signed paperwork online

Satisfied with Time Spent at Dealership

<table>
<thead>
<tr>
<th></th>
<th>Applied for Financing</th>
<th>Signed Paperwork</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online (A)</td>
<td>60% B</td>
<td>Online (A)</td>
</tr>
<tr>
<td>In-Person (B)</td>
<td>52%</td>
<td>In-Person (B)</td>
</tr>
<tr>
<td>Online (A)</td>
<td>67% B</td>
<td></td>
</tr>
<tr>
<td>In-Person (B)</td>
<td>53%</td>
<td></td>
</tr>
</tbody>
</table>

Base: Buyers who financed (excludes cash buyers)
Letters indicate significant difference between groups at the 95% confidence interval

Source: Cox Automotive Car Buyer Journey - 2021
Nearly all buyers are willing to complete key financing steps online

**Applying for Financing Online**

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Gen Z/ Millennials (A)</th>
<th>Gen X (B)</th>
<th>Baby Boomers (C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% applied for financing online</td>
<td>29%</td>
<td>C 34%</td>
<td>C 32%</td>
<td>C 20%</td>
</tr>
<tr>
<td>% willing to apply for financing online</td>
<td>96%</td>
<td>99%</td>
<td>97%</td>
<td>91%</td>
</tr>
</tbody>
</table>

**Signing Contract Online**

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Gen Z/ Millennials (A)</th>
<th>Gen X (B)</th>
<th>Baby Boomers (C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% signed contract online</td>
<td>11%</td>
<td>BC 19%</td>
<td>C 10%</td>
<td>5%</td>
</tr>
<tr>
<td>% willing to sign contract online</td>
<td>71%</td>
<td>78%&lt;sup&gt;BC&lt;/sup&gt;</td>
<td>73%&lt;sup&gt;C&lt;/sup&gt;</td>
<td>59%</td>
</tr>
</tbody>
</table>

Source: Cox Automotive Car Buying Journey & Car Buyer Financing Journey - 2021

Base: Buyers who financed (excludes cash buyers)
Letters indicate significant difference between groups at the 95% confidence interval.
Many buyers are open to buying a vehicle completely online from a dealer, and nearly half are open to buying online directly from a lender.

- 76% of buyers are open to buying a car online.
- 47% of buyers are open to buying a car online from a lender.

Source: Cox Automotive Digitalization of End-to-End Retail & Car Buyer Financing Journey - 2021

Base: Buyers who financed (excludes cash buyers)
Mostly Digital Buyers have a stronger relationship with their lenders, resulting in more direct financing and higher loan satisfaction.

<table>
<thead>
<tr>
<th>MOSTLY DIGITAL</th>
<th>LIGHT DIGITAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 51% of purchase online (A)</td>
<td>Less than 20% of purchase online (B)</td>
</tr>
</tbody>
</table>

**Lender Preference Among Purchasers***
- Same lender or list of preferred lenders (59%)
- No preference where I get my loan (62%)

**Top Reason for Selecting Lender Among Purchasers***
- I trust this lender
- Low/lowest interest rate

**Finance Direct With Bank or Credit Union Among Purchasers***
- 35% B
- 17%

**Very Satisfied With Loan Among Purchasers***
- 50% B
- 34%

*excludes lessees
Base: Buyers who financed (excludes cash buyers)
Letters indicate significant difference between groups at the 95% confidence interval

Source: Cox Automotive Car Buyer Financing Journey - 2021
Five Key Takeaways

1. **Car buyers spend significant time on vehicle financing.** Nearly all car buyers explored their financing options before visiting a dealership. Over a third of the time in the shopping process was spent dedicated to financing activities.

2. **Strong relationships matter.** Many car buyers have an established relationship with the lender they considered first. Mostly digital buyers have stronger loyalty to their lenders.

3. **Vehicle affordability is paramount.** Monthly payments and interest rates were considered the most helpful information when researching financing.

4. **Digitization positively impacts time spent and satisfaction.** Mostly digital buyers spent more time researching and securing their loans online and less time at the dealership.

5. **Many buyers are open to buying a vehicle completely online.** 76% are open to buying online, and 47% are open to buying online from a lender.